

Mills Township

Midland County, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2008

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Mills Township
List of Elected and Appointed Officials
March 31, 2008

Township Board

Daniel Bloom - Supervisor

Sara Pitch - Treasurer

Maxine Brink - Clerk

Alan Wendt - Trustee

Clyde Hoover -Trustee

Independent Auditors' Report

To the Township Board
Mills Township
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Mills Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mills Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mills Township as of March 31, 2008, and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2008, on our consideration of the Mills Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required part of, the basic financial statements.

Yeo & Yeo, P.C.

August 20, 2008
Midland, Michigan

Mills Township
Statement of Net Assets
March 31, 2008

Assets

Cash and cash equivalents	\$ 475,005
Receivables	
Taxes	47,747
Water lines assessments	1,309,998
Due from other governmental units	20,352
Capital assets - net of accumulated depreciation	<u>679,139</u>
 Total assets	 <u>2,532,241</u>

Liabilities

Accounts payable	5,702
Accrued and other liabilities	59,168
Noncurrent liabilities	
Due within one year	57,169
Due in more than one year	<u>2,459,694</u>
 Total liabilities	 <u>2,581,733</u>

Net Assets

Invested in capital assets, net of related debt	518,276
Restricted for:	
Debt service	189,247
Unrestricted (deficit)	<u>(757,015)</u>
 Total net assets (deficit)	 <u><u>\$ (49,492)</u></u>

Mills Township
Statement of Activities
For the Year Ended March 31, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 201,178	\$ -	\$ -	\$ -	\$ (201,178)
Public safety	91,261	-	-	-	(91,261)
Public works	404,194	116,119	-	289,000	925
Community and economic development	2,715	-	-	-	(2,715)
Recreation and culture	45,835	-	-	-	(45,835)
Interest on long-term debt	124,344	-	-	-	(124,344)
Total governmental activities	<u>\$ 869,527</u>	<u>\$ 116,119</u>	<u>\$ -</u>	<u>\$ 289,000</u>	<u>(464,408)</u>
General revenues					
Property taxes					187,604
State shared revenue					153,850
Unrestricted investment earnings					13,805
Miscellaneous					<u>20,638</u>
Total general revenues and transfers					<u>375,897</u>
Change in net assets					(88,511)
Net assets - beginning of year					<u>39,019</u>
Net assets - end of year (deficit)					<u>\$ (49,492)</u>

**Mills Township
Governmental Funds
Balance Sheet
March 31, 2008**

		<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>	
	<u>General</u>	<u>Fire Fund</u>	<u>Solid Waste Fund</u>	<u>Special Assessment Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 95,467	\$ 90,926	\$ 116,314	\$ 172,298	\$ 475,005
Receivables					
Taxes	10,848	17,031	19,868	-	47,747
Water lines assessments	-	-	-	1,309,998	1,309,998
Due from other funds	12,394	-	-	-	12,394
Due from other governmental units	20,352	-	-	-	20,352
	<u>20,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,352</u>
Total assets	<u>\$ 139,061</u>	<u>\$ 107,957</u>	<u>\$ 136,182</u>	<u>\$ 1,482,296</u>	<u>\$ 1,865,496</u>
Liabilities					
Accounts payable	\$ 4,000	\$ 1,702	\$ -	\$ -	\$ 5,702
Accrued and other liabilities	2,589	-	-	-	2,589
Due to other funds	-	-	-	12,394	12,394
Deferred revenue	-	-	-	1,280,655	1,280,655
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,280,655</u>	<u>1,280,655</u>
Total liabilities	<u>6,589</u>	<u>1,702</u>	<u>-</u>	<u>1,293,049</u>	<u>1,301,340</u>
Fund Balances					
Reserved for debt service	-	-	-	189,247	189,247
Unreserved, reported in:					
General fund	132,472	-	-	-	132,472
Special revenue funds	-	106,255	136,182	-	244,437
	<u>132,472</u>	<u>106,255</u>	<u>136,182</u>	<u>189,247</u>	<u>564,156</u>
Total fund balances	<u>132,472</u>	<u>106,255</u>	<u>136,182</u>	<u>189,247</u>	<u>564,156</u>
Total liabilities and fund balances	<u>\$ 139,061</u>	<u>\$ 107,957</u>	<u>\$ 136,182</u>	<u>\$ 1,482,296</u>	<u>\$ 1,865,496</u>

**Mills Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2008**

Total fund balances for governmental funds	\$ 564,156
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current expenditures and, therefore are not reported in the funds.	1,280,655
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets - net of accumulated depreciation	679,139
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(56,579)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(2,516,863)</u>
Net assets of governmental activities	<u><u>\$ (49,492)</u></u>

Mills Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2008

		Special Revenue Fund		Debt Service Fund		Governmental
	General	Fire Fund	Solid Waste Fund	Special Assessment Fund	Capital Project Fund	Funds Total
Revenues						
Taxes	\$ 76,153	\$ 111,451	\$ -	\$ -	\$ -	\$ 187,604
Licenses and permits	480	-	-	-	-	480
Federal grants	-	-	-	-	289,000	289,000
State revenue sharing	153,850	-	-	-	-	153,850
Special assessments	-	-	-	137,789	-	137,789
Charges for services	-	-	103,460	-	-	103,460
Interest income	5,923	236	1,556	6,090	-	13,805
Rental income	2,615	-	-	-	-	2,615
Other revenue	16,022	1,521	-	-	-	17,543
Total revenues	<u>255,043</u>	<u>113,208</u>	<u>105,016</u>	<u>143,879</u>	<u>289,000</u>	<u>906,146</u>
Expenditures						
Current						
General government	172,456	-	-	-	-	172,456
Public safety	-	73,246	-	-	-	73,246
Public works	6,092	-	104,032	-	294,070	404,194
Community and economic development	2,715	-	-	-	-	2,715
Recreation and culture	45,835	-	-	-	-	45,835
Debt service						
Principal retirement	-	26,205	-	90,000	-	116,205
Interest and fiscal charges	-	8,454	-	59,311	-	67,765
Total expenditures	<u>227,098</u>	<u>107,905</u>	<u>104,032</u>	<u>149,311</u>	<u>294,070</u>	<u>882,416</u>
Net change in fund balance	27,945	5,303	984	(5,432)	(5,070)	23,730
Fund balance - beginning of year	<u>104,527</u>	<u>100,952</u>	<u>135,198</u>	<u>194,679</u>	<u>5,070</u>	<u>540,426</u>
Fund balance - end of year	<u>\$ 132,472</u>	<u>\$ 106,255</u>	<u>\$ 136,182</u>	<u>\$ 189,247</u>	<u>\$ -</u>	<u>\$ 564,156</u>

Mills Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balances - Total governmental funds	\$ 23,730
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(46,737)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Water lines assessments	(125,130)
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Expenses are recorded when incurred in the statement of activities

Interest	(56,579)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>116,205</u>
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Change in net assets of governmental activities	\$ <u>(88,511)</u>
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Mills Township
Notes to Financial Statements
March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Mills Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the revenue and expenditures of the government's fire protection and emergency rescue activities.

The Solid Waste Fund accounts for the revenue and expenditures with the government's refuse collection operation.

Mills Township
Notes to Financial Statements
March 31, 2008

The Capital Projects Fund accounts for the construction of water lines in the township.

The Debt Service Fund accounts for collections of special assessments to repay loans obtained for construction of water lines.

Additionally, the government reports the following:

Current Tax Collection Fund accounts for property taxes and other deposits collected on behalf of other governmental units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits— Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$46,024,024, on which ad valorem taxes consisted of 1.2562 mills for operating purposes and 2.5 mills for fire operating purchases. This resulted in \$57,837 for general fund and \$111,451 for fire fund for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Mills Township
Notes to Financial Statements
March 31, 2008

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	25 years
Machinery and equipment	5 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Fire Fund. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Mills Township
Notes to Financial Statements
March 31, 2008

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 475,005
Fiduciary funds	<u>9,895</u>
Total	<u>\$ 484,900</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, certificates of deposit)	\$ <u>475,005</u>	\$ <u>9,895</u>

Interest rate risk – The Township does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and

mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of year end, \$303,166 of the Township's bank balance of \$486,294 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

Primary government	Due After One Year	Fund
Water lines assessments	\$ <u>1,280,655</u>	Special Assessment Fund

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Primary government	Unavailable
Water lines assessments	\$ <u>1,280,655</u>

Mills Township
Notes to Financial Statements
March 31, 2008

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 816,255	\$ -	\$ -	\$ 816,255
Machinery and equipment	68,250	-	-	68,250
Vehicles	530,000	-	-	530,000
Total capital assets being depreciated	1,414,505	-	-	1,414,505
Less accumulated depreciation for				
Buildings, additions and improvements	597,421	20,279	-	617,700
Machinery and equipment	50,509	5,257	-	55,766
Vehicles	40,700	21,200	-	61,900
Total accumulated depreciation	688,630	46,736	-	735,366
Net capital assets being depreciated	725,875	(46,736)	-	679,139
Governmental activities capital assets, net	\$ 725,875	\$ (46,736)	\$ -	\$ 679,139

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 28,722
Public safety	18,015
Total governmental activities	<u>\$ 46,737</u>

NOTE 6 -INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency	\$ 9,895
General Fund	Special assessment fund	12,394
		<u>\$ 22,289</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) transactions are recorded in the accounting system, and 2) payments between funds are made.

Mills Township
Notes to Financial Statements
March 31, 2008

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Special assessment obligations									
U.S.D.A. Capital Improvement (91-01)	\$ 1,634,000	2046	4.375%	\$19,000 - \$46,000	\$ 1,620,000	\$ -	\$ 90,000	\$ 1,530,000	\$ 19,000
General obligations									
U.S.D.A. Capital Improvement (91-03)	621,000	2046	4.375%	\$8,000 - \$17,000	615,000	-	-	615,000	8,000
U.S.D.A. Capital Improvement (91-05)	213,000	2046	4.375%	\$3,000 - \$7,000	211,000	-	-	211,000	3,000
Installment purchase agreements									
Fire Truck loan - Chemical Bank - 2003	120,000	2012	4.05%	\$12,976 - \$16,178	69,144	-	12,439	56,705	12,976
Fire Truck loan - Chemical Bank - 2005	205,000	2015	4.79%	\$14,193 - 17,934	117,924	-	13,766	104,158	14,193
Total bonds payable					<u>\$ 2,633,068</u>	<u>\$ -</u>	<u>\$ 116,205</u>	<u>\$ 2,516,863</u>	<u>\$ 57,169</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities	
	Principal	Interest
2009	\$ 57,169	\$ 113,847
2010	66,375	111,153
2011	72,634	108,122
2012	79,510	104,839
2013	68,114	101,342
2014-2018	329,061	459,692
2019-2023	325,000	387,518
2024-2028	325,000	316,425
2029-2033	331,000	244,892
2034-2038	335,000	171,829
2039-2043	340,000	98,001
2044-2046	188,000	24,458
	<u>\$ 2,516,863</u>	<u>\$ 2,242,118</u>

Mills Township
Notes to Financial Statements
March 31, 2008

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township participates in a defined contribution retirement plan administered by Gleaner Life Insurance Company. The plan covers all members of the Township Board. The amount of contributions is based upon amount of compensation earned. The contributions amounted to \$13,062 for the year ended March 31, 2008.

NOTE 10 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Mills Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 54,394	\$ 54,394	\$ 57,837	\$ 3,443
Administration fee	14,512	14,512	18,316	3,804
Licenses and permits	240	240	480	240
State revenue sharing	134,410	134,410	153,850	19,440
Interest income	2,824	2,824	5,923	3,099
Rental income	1,885	1,885	2,615	730
Other revenue	11,614	11,614	16,022	4,408
Total revenues	<u>219,879</u>	<u>219,879</u>	<u>255,043</u>	<u>35,164</u>
Expenditures				
General government				
Township board	96,071	117,113	105,907	(11,206)
Supervisor	10,132	10,732	10,663	(69)
Clerk	9,740	10,040	9,964	(76)
Board of review	2,550	2,700	2,700	-
Treasurer	10,740	11,240	11,157	(83)
Assessor	14,561	14,561	12,723	(1,838)
Elections	4,000	4,000	3,996	(4)
Buildings and grounds	20,300	22,750	15,346	(7,404)
Total general government	<u>168,094</u>	<u>193,136</u>	<u>172,456</u>	<u>(20,680)</u>
Public works				
Drains	340	340	-	(340)
Highways, streets and bridges	53,900	53,900	6,092	(47,808)
Street lighting	3,000	3,350	-	(3,350)
Total public works	<u>57,240</u>	<u>57,590</u>	<u>6,092</u>	<u>(51,498)</u>

Mills Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Community and economic development				
Planning	3,600	3,625	2,715	(910)
Recreation and culture				
Parks and recreation	44,450	50,375	40,115	(10,260)
Library	6,000	6,000	5,720	(280)
Total recreation and culture	50,450	56,375	45,835	(10,540)
Total expenditures	279,384	310,726	227,098	(83,628)
Net change in fund balance	(59,505)	(90,847)	27,945	118,792
Fund balance - beginning of year	104,527	104,527	104,527	-
Fund balance - end of year	<u>\$ 45,022</u>	<u>\$ 13,680</u>	<u>\$ 132,472</u>	<u>\$ 118,792</u>

Mills Township
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 104,792	\$ 104,674	\$ 111,451	\$ 6,777
Interest income	-	-	236	236
Other revenue	-	-	1,521	1,521
	<u>104,792</u>	<u>104,674</u>	<u>113,208</u>	<u>8,534</u>
Expenditures				
Current				
Fire department	69,838	80,570	73,246	(7,324)
Debt service				
Principal retirement	26,205	26,205	26,205	-
Interest and fiscal charges	8,454	8,454	8,454	-
	<u>104,497</u>	<u>115,229</u>	<u>107,905</u>	<u>(7,324)</u>
Net change in fund balance	295	(10,555)	5,303	15,858
Fund balance - beginning of year	<u>100,952</u>	<u>100,952</u>	<u>100,952</u>	<u>-</u>
Fund balance - end of year	<u>\$ 101,247</u>	<u>\$ 90,397</u>	<u>\$ 106,255</u>	<u>\$ 15,858</u>

Mills Township
Required Supplemental Information
Budgetary Comparison Schedule
Solid Waste Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 111,000	\$ 103,460	\$ 103,460	\$ -
Interest income	82	82	1,556	1,474
Total revenues	111,082	103,542	105,016	1,474
Expenditures				
Public works	106,982	113,982	104,032	(9,950)
Net change in fund balance	4,100	(10,440)	984	11,424
Fund balance - beginning of year	135,198	135,198	135,198	-
Fund balance - end of year	<u>\$ 139,298</u>	<u>\$ 124,758</u>	<u>\$ 136,182</u>	<u>\$ 11,424</u>



6018 Eastman Avenue
Midland, MI 48640
Phone (989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Township Board
Mills Township
Midland County, Michigan

We have audited the financial statements of the governmental activities and each major fund of Mills Township as of and for the year ended March 31, 2008, which collectively comprise the Mills Township's basic financial statements and have issued our report thereon dated August 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mills Township's internal control over financial reporting in order to determine as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mills Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mills Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all

deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We have identified the following deficiencies in the internal control over financial reporting that we consider to be significant deficiencies in internal control as defined above.

1. We proposed seventeen adjusting journal entries that you approved and posted to your general ledger. Substantially all of the entries were to correct bookkeeping errors resulting from misclassifying the journal entry to the correct account and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions would expedite the year-end closing and reduce audit time.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mills Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Midland, Michigan
August 20, 2008



6018 Eastman Avenue
Midland, MI 48640
(989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

August 20, 2008

Board of Directors
Mills Township
Midland County, Michigan

We have completed our audit of the financial statements of Mills Township as of and for the year ended March 31, 2008 and have issued our report dated August 20, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the organization during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Yeo & Yeo, P.C.

Midland, Michigan
August 20, 2008



Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated January 2, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. We are not aware of any particular sensitive estimates made by Mills Township.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

No difficulties were encountered during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Please read all information included in that report to ensure you are aware of relevant information.

Appendix 2 Management Comment

In planning and performing our audit of the financial statements of Mills Township as of and for the year ended March 31, 2008, we considered Mills Township internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiency and reducing expenses. This letter does not affect our report date August 20, 2008, on the financial statements of Mills Township. Our comments and recommendations regarding those matters are:

CREDIT CARD POLICY

During our review of township procedures we have noted that the "Credit Card Policy" has not been adopted.

Recommendation

We recommend that the Township adopts "Credit Card Policy" that defines appropriate procedures and policies for credit cards usage.

SUPPORTING DOCUMENTATION FOR REIMBURSEMENT REQUEST

During our inquiries of Township personnel and our review of Township procedures we have noted that supporting documentation is not always required to be submitted when request reimbursement for expense incurred on Township behalf.

Recommendation

Supporting documentation (store receipt, invoices, mileage log, bills, etc.) is necessary documentation, which is required to be maintained as a proof of purchase for goods, services and miles driven for Township related business.